

## **ARIZONA CORPORATION COMMISSION MEETING MINUTES**

DATE: September 23, 2004

TIME: 9:30 a.m.

PLACE: Arizona Corporation Commission, 1200 W. Washington Street, Room 100, Phoenix, Arizona 85007

ATTENDANCE: No Quorum of Commissioners.

TOPIC: DEMAND SIDE MANAGEMENT WORKSHOP

### **MATTERS DISCUSSED:**

Barbara Keene of the Commission Staff welcomed everyone. Each participant made a self-introduction. Jeff Schlegel of SWEEP made several announcements and distributed a list of potential energy efficiency programs under consideration in the Governor's Renewable Energy and Energy Efficiency Working Group. Mr. Schlegel also reminded the group of the workshop on Regional Cooperation in Energy Efficiency Program Implementation in the Southwest to be held in Las Vegas on October 28 and 29.

Following announcements, the group turned to the DSM policy.

### *Parity and Equity*

Mike McElrath of Phelps Dodge Corporation proposed language for the Parity and Equity section. The proposed language added two concepts to the policy. First, any industrial customer shall have the right to self-direct any DSM investments in the customer's facility. This language produced many questions. What does "self-direct" mean? As Mr. McElrath was unable to attend the workshop, the group postulated that "self-direct" means the industrial customer would be required to contribute DSM funds like any other customer but that those funds would directly fund DSM investments in that customer's facility. After much discussion, the group decided that more input from Mr. McElrath is required. Several questions remain. What is Mr. McElrath's interpretation of "self-direct"? What are the criteria to determine if a customer is eligible to "self-direct"? Is this an option for large institutional customers? What are the reporting requirements for the utility when a customer is self-directing its DSM investments? What accounting and tax implications might arise from this type of self-directed DSM investment?

The second concept introduced by Mr. McElrath's language is to allow large customers that can demonstrate an active DSM program to opt out of DSM contributions. This proposed language also facilitated much discussion. Many of the same questions arose. What is the appropriate size threshold to qualify a customer to opt out? Would the threshold be the same in all service territories? Who would be responsible for reporting and monitoring the customer's "active DSM

program”? Would distributed generation be considered an “active DSM program”? Participants agreed that more discussion on this topic is required. Ray Williamson of the Commission Staff will provide alternative language about premise-specific DSM.

The final Parity and Equity issue related to parity of DSM dollars spent among customer groups. Participants agreed on language that requires DSM funds collected from residential and non-residential customer groups to be allocated proportionally to the same groups to the extent possible.

### *Fuel Neutrality*

Representatives of Southwest Gas proposed new language for the *Fuel Neutrality* section that included a reference to Arizona statutes. The language did not cite specific statutes, but Southwest Gas indicated that they were referring to the 1998 Consumer Choice Law which calls for consumer choice in construction. The group discussed whether this was necessary in light of the fact that all sections of the final DSM policy would be in accordance with all Arizona statutes.

Southwest Gas also distributed a publication entitled, *Time Dependent Valuation of Energy for Developing Building Efficiency Standards, Time Dependent Valuation (TDV) Formulation ‘Cookbook’, April 12, 2002.*

Marshall Hunt of RHA Consulting distributed a definition of Source Energy and a short report on the use of source energy analysis. Mr. Hunt and the representatives of Southwest Gas propose to include source energy analysis as part of the cost effectiveness analysis of a DSM program. Mr. Schlegel indicated that SWEEP supports source energy analysis as one of the tools to evaluate a DSM program. However, SWEEP does not support source energy analysis being used to promote fuel switching. Representatives from APS strongly oppose the use of source energy analysis because they believe it could lead to a policy that is tolerant of fuel switching. The group agreed that this topic warrants further discussion but that a consensus might not be reached on this issue.

Additional language has been added to clarify that electric utility program funds shall be used to for measures to reduce electricity use and natural gas funds shall be used to reduce natural gas usage.

### *DSM Definition*

The sentence “DSM includes energy efficiency, demand response, and combined heat and power (CHP)” has been added to this section.

### *Goal and Objectives*

The group discussed and agreed upon minor language changes to this section. In addition, “BTUs” has been added to the list of potential savings goals.

### *Planning*

The group discussed and agreed upon minor language changes to this section that further describe the procedure for filing and the elements to be included in the DSM portfolio plan.

### *Cost Effectiveness*

Tom Hines of APS proposed new language related to education for this section. After a short discussion, the group agreed that though they may be difficult to measure, there can be significant benefits associated with education programs and utilities should try to estimate the quantifiable benefits whenever possible. Language to that effect was added to the *Cost Effectiveness* section.

### *Key Terms*

David Berry offered suggestions for this section. The group discussed and agreed upon language changes to the definition of *incremental cost*, *net benefits*, and *societal test*.

### *Commission Review and Approval*

The group revised the final sentence to clarify that the Commission will give utilities adequate time to notify customers of any modifications to DSM programs.

### *Monitoring, Evaluation and Research*

The group discussed and agreed upon minor language changes to this section.

### *Applications Eligible for Funding*

To address the concerns of those in favor of including distributed generation and CHP in the discussion of DSM policy, a new section, *Applications Eligible for Funding*, has been added to the policy. This section shall capture those technologies that may be considered by the Commission in reviewing DSM portfolios. Further discussion on this topic is required.

### *Program Administration and Implementation*

The group discussed and agreed upon minor language changes to this section.

### *Leveraging and Cooperation*

The group discussed and agreed upon minor language changes to clarify the idea that utilities may jointly fund and administer DSM programs.

### *Other Approaches to DSM*

The group discussed and agreed upon minor language changes to this section.

The next DSM Workshop will be held on October 26, 2004 from 9:30 a.m. to 4:00 p.m.

Erin Casper  
Utilities Division

Attendees at the DSM Workshop  
September 23, 2004

Name	Organization
John Ashe	ICF Consulting
Bruce Bilbrey	Natural Lighting
Jana Brandt	Salt River Project
Marv Buck	Buck-Taylor Consulting
Erin Casper	Arizona Corporation Commission Staff
Rebecca Chavez	Tucson Electric Power / UNS Electric & Gas
Tim Coley	Residential Utility Consumer Office
Andrea Gonzalez	Office of Robert S. Lynch
Tom Hines	Arizona Public Service
Grant Holmes	ANL Distributors/Volttech, Inc.
Marshall Hunt	RHA
Eileen Jacobson	UNS Electric
Barbara Keene	Arizona Corporation Commission Staff
Steve Koepp	AHS
A.K. Krainik	Arizona Public Service
Robert Krouse	Arizona Public Service
Mark McWhirter	Arizona Energy Office
Brian O'Donnell	Southwest Gas
Terry Orlick	Arizona Public Service
Amanda Ormond	Ormond Group
David Pickles	ICF Consulting
Russ Romney	Martinez & Curtis
Jeff Schlegel	Southwest Energy Efficiency Project
Vivian Scott	Southwest Gas
Kathy Senseman	Southwest Gas
John Wallace	GCSECA
Ray Williamson	Arizona Corporation Commission Staff
Martha Wright	Southwest Gas